

**EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE  
MINUTES OF THE JULY 18, 2007 PENSION BOARD MEETING**

1. Call to Order

Chairman Dean Roepke called the meeting to order at 8:30 a.m. in the Green Room of the Marcus Center, 127 East State Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present:

Linda Bedford  
Donald Cohen  
John Martin (Vice Chairman)  
Marilyn Mayr  
Michael Ostermeyer  
John Parish  
Dr. Sarah Peck  
Dr. Dean Roepke (Chairman)  
Thomas Weber

Others Present:

William Domina, Corporation Counsel  
Mark Grady, Principal Assistant Corporation Counsel  
Jack Hohrein, ERS Manager and Pension Board Secretary  
David Arena, Director, Employee Benefits, Department of Administrative Services  
Dr. Karen Jackson, Human Resources Director  
Vivian Aikin, ERS Administrative Specialist  
Donald Campbell, ERS Project Manager  
Gordon Mueller, ERS Fiscal Officer  
Steven Huff, Reinhart Boerner Van Deuren s.c.  
Terry Dennison, Mercer Investment Consulting  
Kristin Finney-Cooke, Mercer Investment Consulting  
Kenneth Weinberg, ING Clarion  
Mark Babiec, ING Clarion  
Ken Loeffel, Retiree  
Thomas Zablocki, Retiree  
David Umhoefer, Milwaukee Journal Sentinel

3. Chairman's Report

(a) July 5 Investment Committee Meeting Cancelled

The Chairman reported that the July 5, 2007 Investment Committee meeting was cancelled.

(b) June 28 Audit Committee Meeting Cancelled

The Chairman reported that the June 28, 2007 Audit Committee meeting was cancelled.

(c) Ethics Code Study Committee – Supervisor Rice's Response

The Chairman reviewed for the Board the Ethics Code Study Committee's written response to his request to change the frequency of Statement of Economic Interest filings from quarterly to annually. The Chairman stated that his request was denied because the Committee determined it was appropriate for the County's rules to remain consistent with the requirements applicable to State officials who are responsible for investing public funds. The Chairman noted that the Board could appeal the denial at the September Ethics Code Study Committee meeting.

(d) Baring Contract Update

The Chairman stated that Ms. Riley had reported that there is no news regarding the Baring contract.

(e) Vitech Visit

The Chairman reported that he and Mr. Martin visited Vitech in New York.

4. Minutes of the June 20, 2007 Meeting

**The Board reviewed and unanimously approved the minutes of the June 20, 2007 Pension Board meeting. Motion by Mr. Martin, seconded by Mr. Weber.**

5. Report of Retirement System Manager

(a) Ratification of Retirements Granted

Mr. Hohrein presented the Retirements Granted report for the prior month's retirements and asked the Board to review them. He noted that back DROP payments in the amount of approximately \$200,000 had been made.

**The Board unanimously accepted the Retirements Granted report.  
Motion by Mr. Cohen, seconded by Mr. Parish.**

(b) Report on Waivers

Mr. Hohrein reported that no waivers were submitted during the prior month.

(c) Conference Report – International Foundation

Mr. Hohrein reported on the International Foundation of Employee Benefit Plans Administrators' Institute conference he attended from June 11-13, 2007. He described the sessions he attended, which included generational communication issues, PPA administration and participant education. He noted that ERS's website is not as advanced as some other retirement systems' websites, but is more advanced than others. He stated that the conference provided him with many ideas on how to improve the website. Mr. Hohrein reviewed for the Board a computer system survey that listed Vitech as the highest priced computer system in the survey. However, Vitech was the highest-rated vendor considered in the survey.

(d) Conference Report – Vitech

Mr. Hohrein reported that Denise McCaskill and Bob Shupe attended the Vitech user conference. He summarized the questions that Mr. Campbell proposed asking at the V3 conference. He reviewed the answers provided at the conference regarding environment, project team, application updates, documentation, testing, solution delivery and vendor relations.

6. Investments

(a) Investment Manager Report – ING Clarion

Mr. Weinberg and Mr. Babiec distributed a report and presented it to the Board on behalf of ING Clarion. Mr. Babiec reported on ERS's ten-year return numbers, which reflect the return since ERS's original engagement of ING Clarion in 1997. He explained that there have been no significant changes to ING Clarion in the past ten years and the firm is still led by its three founders. Mr. Babiec stated that there was approximately 40% turnover in the ERS portfolio last year. He noted that ERS has approximately \$70 million invested with ING Clarion, which represents roughly 4% of ERS's total assets. He stated that most of ERS's investments are in commercial real estate property stocks.

Mr. Babiec next reviewed the U.S. public real estate industry, noting that it has been providing healthy returns. He also explained that the real estate industry has a low correlation to other asset classes, which improves diversification. He stated that, compared to investment property, real estate stocks provide liquidity.

Mr. Babiec discussed ING Clarion's two-step investment processes. He explained that the first step is a top-down evaluation of public and private market real estate trends. The second step is the bottom-up portion of the process, where individual securities are selected based on a rigorous fundamental analysis and screened through ING Clarion's relative value analysis. Mr. Babiec stated that the second step is where ING Clarion adds a majority of its value for its clients. The Chairman asked a question regarding leveraging. Mr. Weinberg responded by stating that average leverage today is 40%. He reported that ING Clarion does not own any home mortgage REITs, only commercial properties. He noted that as the subprime mortgage problems continue, it could affect the real estate market because it could continue to increase the cost of borrowing. The ING representatives also discussed ING's risk mitigation techniques. Mr. Babiec noted that ING monitors all clients' risk elements weekly.

Mr. Weinberg next reviewed the results of ERS's portfolio as of the end of June. He reported that the office, apartment and mall sectors are the largest investment concentrations. He noted that ERS has a well-diversified portfolio. In response to a question from the Chairman, Mr. Weinberg discussed terrorism and catastrophic insurance on buildings. Dr. Peck asked a question about public-to-private conversions. Mr. Weinberg responded that private companies are able to take on more leverage than the public market accepts; therefore, companies are traded on the public market at a discount to what they might if taken private. Ms. Bedford asked a question about the impact of condominium conversions on rents. Mr. Weinberg answered that ING has addressed the impact of condominium conversions, especially in Florida and on the coasts. He agreed that condominium and apartment supply are interrelated in local markets.

Mr. Weinberg reviewed ERS's top ten holdings in the ING Clarion portfolio. He reported that Archstone Smith was recently purchased by a private equity firm. Mr. Babiec added that there are many potential privatization rumors; privatization is beneficial to the strategy due to the premiums paid on a takeover. He reported that the 2007 year-to-date numbers as of July 17, 2007 were -4.4% for the portfolio gross of fees and -4.7% for the index. He noted that he is very happy with the 1, 3, 5 and 10

year return numbers. Mr. Weinberg stated that the outlook for the real estate market is one of cautious optimism. He noted that 9% earnings growth is projected for 2007. He discussed how construction starts affect the industry and noted that supply/demand fundamentals continue to be healthy.

The ING Clarion representatives discussed the global real estate market. Ms. Bedford and Dr. Peck commented on what they learned during their Baring due diligence meetings. Mr. Weinberg offered to provide the Board with more information on global REITs. He stated that ING has the largest public and private global real estate platform, which allows ING to see more deals and to use its disciplined process to select the best global investments.

(b) Mercer Report

Mr. Dennison and Ms. Finney-Cooke presented Mercer Investment Consulting's report to the Board. Ms. Finney-Cooke reviewed information regarding the Baring contract. She provided an analysis of a separate account versus a commingled account. She noted that a separate account has higher costs. She commented that when the decision was made to include Baring as a finalist, the analysis did not include a commingled account. She stated that the proposed Baring contract is like the GMO commingled account vehicle.

The Chairman asked Ms. Finney-Cooke whether there had been any feedback from Hotchkis & Wiley regarding the Board's rejection of its request to change its investment cap from 10% to 20% in non-U.S. equities. Ms. Finney-Cooke responded that she has not received any feedback from Hotchkis & Wiley.

Ms. Finney-Cooke presented the Flash Report for June 2007. She noted that ERS had an aggregate market value of just over \$1.67 billion at the end of June. She indicated that ERS's aggregate market value declined by 1.1% in June, which underperformed the benchmark by 0.1%. She also noted absolute performance was not impressive in June, but most ERS investment managers were in line with their respective benchmarks.

Ms. Mayr raised a concern regarding the Board's fiduciary duty to stay in balance with the investment policy. She asked whether the Board should change its investment policy. Ms. Finney-Cooke responded by saying that assets were reallocated to align with the investment policy, but the overall investment performance declined because the core fixed income market is

not performing well. The Chairman asked Mr. Martin to raise this issue at the next Investment Committee meeting.

In response, Mr. Dennison asked the Board to look at the one-year column in order to demonstrate that some investments are growing faster than others. Mr. Ostermeyer stated that as fiduciaries the Board has purposefully built the portfolio, and the Board and Mercer need to consider how to keep the portfolio in balance. The Board directed Mercer to take steps to balance the portfolio, including through monthly draws for cash flow.

Ms. Finney-Cooke next reviewed Mercer Investment Consulting's ABC rating system. Anything within the "A range" is considered a buy recommendation, the "B range" means hold, while the "C range" or no rating means sell. She recommended that the Board look very carefully at any downgrade in rating. Ms. Finney-Cooke stated that Mercer Investment Consulting will want to discuss global REITs in the future.

Ms. Finney-Cooke next discussed Capital Guardian's request to open an account to invest in Turkish stocks. Ms. Finney-Cooke suggested that the Board reject the request because its contract with Capital Guardian is close to termination.

Mr. Dennison next reviewed the market performance. He noted that June was a down month but July has seemed positive so far. Mr. Dennison discussed the recent news regarding subprime mortgages and stated that there may be more news. He noted that Bear Stearns funds may be worthless. He stated that there may be \$60-70 billion in losses, primarily in hedge funds. He continued discussing subprime mortgages and reported that rating agencies, which had conflicts, rated these investments as AAA. He concluded by saying the damage is not yet fully controlled because the weakening housing market could lead to even greater defaults on mortgages where lock periods on adjustable rate mortgages are in 2008 or 2009.

Ms. Bedford inquired whether the current subprime mortgage landscape is similar to the savings and loan crises. Mr. Dennison responded that it has the potential to be similar. He explained that the "pyramiding through leveraging on leveraging" makes the subprime mortgage crisis more like the 1929 Great Depression rather than the 1989 savings and loan crisis. Mr. Dennison continued by stating that thinly traded securities are greatly mispriced. Mr. Dennison reported that the Board has no action items with regard to the subprime mortgage crisis.

The Chairman stated that at the Wharton School conference he attended, one session dealt with how to "erase beta." He asked Mr. Dennison if beta could be eliminated. Mr. Dennison answered that there is always residual beta.

7. Fiscal Officer's Cash Flow Report/Requirements

(a) Conference Report – Government Finance Officers Association

Mr. Mueller discussed his attendance at the Government Finance Officers Association conference. He noted that Robert Reich, the former Secretary of Labor, spoke at the conference. Mr. Mueller stated that he is currently preparing a written report on his attendance at the conference. He noted that some of the topics included GASB pronouncements 43 and 45, which the County implemented last year. He stated that other topics included hedge fund basics and derivatives. He discussed a presentation given by Mellon on tracking class action claims.

(b) Annual Report

Mr. Mueller presented the annual report and noted several corrections to the report. For example, Dr. Peck was included as a Board member in the report, although she was not sworn in as a Board member until 2007.

**The Board unanimously approved the corrected annual report.  
Motion by Mr. Martin, seconded by Mr. Cohen.**

(c) Cash Flow Report

Mr. Mueller reported that ERS needs \$10 million in cash flow each month over the next quarter. Mr. Martin asked where the \$10 million for July is coming from. Mr. Mueller responded by saying the source for the July funds is set, consisting of \$2 million from Hotchkis & Wiley, \$2 million from EARNEST Partners and \$6 million from Artisan. Ms. Mayr pointed out that the Board directed Mercer to take money to get into compliance with the investment policy, which may change the August cash flow draw.

8. Vitech Implementation Oversight Committee Report

Mr. Martin reported that the Vitech Implementation Oversight Committee meets monthly, the week before the general Board meeting, in order to update the information to present to the Board. Mr. Martin noted that the committee discusses the Vitech implementation more in depth at the committee meetings than the general Board meetings. Mr. Martin stated that the due diligence meeting with

Vitech was extremely beneficial. He noted that it was an excellent opportunity to ask specific, focused questions.

9. Implementation of New Technology Software

Mr. Campbell distributed the V3 Summary Status Report and presented it to the Board. Mr. Campbell stated that new targets for the delivery timetable will be available by the August meeting. He explained that the delivery timetable is affected by increased time and quality requirements, which lead to greater costs. He reported that he will be collaborating with the city of Wichita, which is also implementing the V3 systems. Mr. Campbell also reported that the Vitech trip was extremely helpful.

Mr. Campbell next explained that Vitech builds each system from specifications and that Vitech needs to remove built-in stop points to automate the system. He reported that the review of detailed specification documents was somewhat delayed, and that steps are being taken to correct the delays in processing. He also reported that the documents/forms/letter development process was 70% complete and that Mr. Grady has been timely and helpful with the project. He indicated that the data cleansing project is 20.8% complete. In response to a question from Ms. Mayr, Mr. Campbell discussed the Data Conversion/Cleansing section of the report. He noted that significant progress has been made in the automated testing of the project.

Mr. Campbell updated the Board on the Vitech contract addendum. He stated that he had asked Ms. Riley to review the addendum and the addendum was sent to Vitech. He reported that he has not heard of any problems from Vitech, but the contract has not been signed. He also discussed ERS's resource availability. He noted that a consultant was documenting the day-to-day work activities of ERS employees and that the consultant would stay to move others, if needed in the short term, to work on the Vitech project.

Mr. Campbell next reported on the trip to Vitech. He stated that the trip was extremely valuable and that he was able to meet with Vitech's co-founder. He noted that Vitech started only 12 years ago, and Vitech currently has \$60 million in annual revenue. He reported that he saw Vitech's back-up facility. He noted that he felt that Vitech had a well-structured technical environment that was extremely well-maintained. The Chairman stated that the brothers who started Vitech appear to have managed the business's growth well. He noted that he felt that Vitech reflected the vision that the Board has for the members of ERS. The Chairman continued by saying that he felt that Vitech was very concerned about addressing the issues that ERS has raised and that Vitech wants to ensure that the personnel assigned to ERS are focused on meeting ERS's needs and challenges. Mr. Martin agreed with the Chairman's summary of the Vitech visit.



Dr. Jackson stated that she was very impressed by the Vitech visit. She stated that Vitech discussed staffing, personnel needs and forming a partnership at the implementation stage. She noted that Vitech reviewed the stability and future of the company and that she felt Vitech was very thoughtful. She also noted that Vitech's future goals are to expand and grow. Mr. Arena stated that he felt much better after visiting Vitech and that he was very impressed with how much that Vitech has built. He noted that Vitech was selected because Vitech will provide support going forward after implementation. He also stated that he felt that Vitech had a bright, energetic group of employees.

Mr. Hohrein asked Dr. Jackson if she felt that ERS made the right choice considering the problems with Ceridian. Dr. Jackson answered by saying that Vitech was the right choice because Vitech is small enough to be responsive and it is dedicated to meeting ERS's needs. Ms. Mayr questioned whether there were any coordination problems between Vitech and Ceridian, with Ceridian providing the payroll system. Dr. Jackson responded by stating that the scope of the County project with Ceridian was much larger than payroll and that there have been starts and stops along the way. Mr. Campbell stated that the Chairman's approach of having Vitech follow a step-by-step approach has made the difference in a successful implementation of both the Ceridian and Vitech systems. Mr. Campbell also stated that the Ceridian and Vitech systems will connect properly. Mr. Grady noted that Ceridian's go live implementation date is earlier than Vitech's scheduled implementation date. Mr. Arena stated that the Chairman has agreed to have Mr. Campbell educate the Board on how the two systems will interact.

10. Report on Task Force on Pension Funding

Mr. Cohen reported on the July 13, 2007 meeting of the Task Force on Pension Funding and Alternatives. He stated that the Task Force reviewed different pension plan alternatives. He noted that Mr. Domina spoke on the legal issues relating to plan modification. He also noted the Task Force discussed the information contained in the PowerPoint presentation given by Cambridge Advisory Group Services Inc. He stated that the Task Force reviewed information on pension obligation bonds. He reported that the Task Force is hoping that it will have concrete information regarding the direction ERS should go in by September. He also reported that the Task Force does not have a recommended approach because the Task Force is still in the phase of collecting and processing information.

The Chairman asked if the Task Force has acknowledged the Board's offer to help educate the Task Force. Mr. Cohen responded that the Task Force has not acknowledged the Board's offer. Ms. Mayr and Mr. Ostermeyer inquired how

pension obligation bonds could impact the Board, and requested that the Task Force give the Board more information on that issue.

Mr. Hohrein reported that Mr. Heer, who chaired the Task Force meeting in Mr. Mayo's absence, requested input from the Board in formulating a proposal.

Ms. Mayr voiced her concern that the Governor's pension obligation bond proposal for Milwaukee County implied oversight of the Board and did not consider the Board's interests. Mr. Cohen and Mr. Grady clarified that the Task Force had not yet issued a proposal. Mr. Hohrein reported that Mr. Heer stated that the Task Force will begin formulating a proposal in time for the budget cycle. Mr. Ostermeyer raised the question of whether it was part of the current budget bill. He also stated that it would be helpful to know that independent control of proceeds is contemplated. Mr. Grady responded that he will look into whether it is part of the current budget bill. Mr. Weber expressed his concern over having two boards overseeing two sets of assets. In response to a question from Mr. Ostermeyer, Mr. Grady responded that Cambridge Advisory Group is involved with the County's health insurance benefits.

Mr. Cohen reported that the next meeting date was discussed and tentatively scheduled for the second Friday in August.

## 11. Legal Update

### Closed Session

The Vice-Chairman stated that the Board may adjourn into closed session for the purpose of receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation and for considering the financial, medical, social or personal histories or disciplinary data of specific persons which, if discussed in public, would be likely to have a substantial adverse effect upon the reputation of any person referred to in such histories or data.

**The Board unanimously agreed by roll call vote to enter into closed session to discuss items 11-14.**

#### (a) Pending Litigation

The Board discussed pending litigation in closed session.

(i) Milwaukee County et al. v. Mercer Human Resource Consulting

(ii) Hanson v. ERS

(iii) FNHP v. County and ERS – WERC Complaint

(b) Buck Transition Contracts

**Upon returning to open session, the Board agreed, 8-0-1, with Ms. Mayr abstaining, to amend the Buck Consultants contract and to approve the PriceWaterhouseCoopers transition contract. Motion by Dr. Peck, seconded by Ms. Bedford.**

12. Robert Winkler Claim for Interest on Back DROP

The Board discussed Mr. Winkler's claim in closed session.

**Upon returning to open session, the Board unanimously approved the \$12,000 settlement recommended by Corporation Counsel. Motion by Mr. Martin, seconded by Ms. Mayr.**

13. Report on Compliance Review

The Board discussed a report on a compliance review progress in closed session.

**Upon returning to open session, the Board unanimously agreed to approve the resolution attached to these minutes as Exhibit 1. Motion by Mr. Ostermeyer, seconded by Mr. Cohen.**

14. Disability Applications or Reexaminations

The Board discussed Disability Applications or Reexaminations in closed session.

(a) Clayborn Beamon

Upon returning to open session, Mr. Martin noted Mr. Beamon's disability application was filed as an accidental disability, instead of an ordinary disability application. He also noted that based on the Medical Board's report, Mr. Beamon would not qualify for either an accidental or disability pension. Ms. Aikin reported that Mr. Beamon is not eligible to receive an ordinary disability.

**The Board unanimously agreed to deny Mr. Beamon's application for an accidental disability pension based on the recommendation of the Medical Board. Motion by Mr. Cohen, seconded by Mr. Parish.**

(b) Lavonne Treptow

**Upon returning to open session, the Board unanimously agreed to grant Ms. Treptow's application for an ordinary disability pension**

**based on the recommendation of the Medical Board. Motion by Mr. Cohen, seconded by Mr. Martin.**

15. Ordinance Amendments

In open session, Mr. Huff reported on ERS and OBRA ordinance amendments.

**The Board unanimously approved the ERS and OBRA Ordinance Amendments. Motion by Mr. Weber, seconded by Mr. Cohen.**

16. Administrative Matters

(c) Continuing Education/Board Retreats/Training and Professional Organizations

(i) International Foundation of Employee Benefit Plans and Administrator's Masters Program – Anaheim, CA

Mr. Hohrein requested approval to attend the Administrator's Masters Program and the International Foundation of Employee Benefit Plan's annual conference.

**The Board unanimously approved Mr. Hohrein's conference attendance requests and attendance of any Board member at the annual conference of the International Foundation of Employee Benefit Plans. Motion by Mr. Weber, seconded by Mr. Parish.**

(ii) Wharton School.

The Chairman noted that the Wharton School was conducting an educational conference on alternative investments. He noted that this conference is an exceptional learning experience and that he would highly recommend attending the conference.

(iii) JPMorgan Asset Management Conference.

Mr. Ostermeyer discussed the details of the upcoming JPMorgan Asset Management Conference. He noted that the conference will take place in Scottsdale, Arizona from October 3-5, 2007. He stated that there are multiple half-day sessions and that the vendor must be compensated for attendance.

**The Board unanimously approved the requests of anyone who wants to attend the JPMorgan Asset Management Conference. Motion by Ms. Bedford, seconded by Mr. Cohen.**

(d) Future Board Topics

Buck Consultants – Educational Offer

The Board discussed Buck Consultants' educational offer on actuarial training. The Board instructed Ms. Aikin and Mr. Hohrein to come to the August Board meeting with possible dates the course could be offered in September.

17. Adjournment

The meeting adjourned at 1:40 p.m.

Submitted by Steven D. Huff,  
Assistant Secretary to the Pension Board

## EXHIBIT 1

### RESOLUTIONS ADOPTED BY THE PENSION BOARD OF THE EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

#### RECITALS

1. Section 201.24(8.1) of the General Ordinances of Milwaukee County (the "Ordinances") provides that the Pension Board of the Employees' Retirement System of the County of Milwaukee (the "Pension Board") is responsible for the general administration and operation of the Employees' Retirement System of the County of Milwaukee ("ERS").
2. The "buy in" program, currently described in ERS Rule 207, permits employees to purchase credit in ERS related to periods of employment during which enrollment in ERS was optional.
3. The "buy back" program, described in Section 201.24(11.1) of the Ordinances, permits employees to reinstate prior service credit after they withdraw their accounts.
4. The Pension Board has learned that errors were made with respect to the administration of the buy in and buy back program that could be in violation of Internal Revenue Service regulations, as described in the attached Summary of June 29, 2007 VCP Application.
5. The Pension Board conducted an audit of the program to thoroughly investigate potential operational issues and determined that a corrective action plan should be filed with the Internal Revenue Service.

#### RESOLUTIONS

1. The Pension Board authorizes and ratifies the action of the Manager of ERS and Secretary of the Pension Board, in executing IRS Form 2848, Power of Attorney and Declaration of Representative, on June 28, 2007.
2. The Pension Board ratifies the Voluntary Correction Program submission filed with the Internal Revenue Service on June 29, 2007 and authorizes any supplements to the submission deemed necessary by legal counsel, following consultation with the Pension Board Chairman.
3. The Pension Board authorizes the Manager of ERS and Secretary of the Pension Board to execute any Penalty of Perjury Statements necessary in connection with the submission and any supplements.
4. The Pension Board authorizes legal counsel to negotiate and communicate with the IRS with respect to any aspect of the Voluntary Correction Program submission and/or supplements thereto.
5. These resolutions are adopted effective July 18, 2007.

## **Employees' Retirement System of the County of Milwaukee**

### **Summary of June 29, 2007 VCP Application**

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1. On June 29, 2007, Milwaukee County and the Pension Board submitted an application for a compliance statement under the Voluntary Correction Program ("VCP") of the Employee Plans Compliance Resolution System ("EPCRS"). EPCRS is a series of programs implemented by the Internal Revenue Service ("IRS") to allow qualified retirement plans to correct errors without risking plan disqualification.

2. The VCP application submitted by ERS identified operational errors that occurred with respect to the "buy back" and "buy in" programs. An extensive audit revealed the following operational errors:

(a) The Retirement Office failed to enforce the two-year rule and failed to enforce the internal contribution limits in the Ordinances with respect to the buy back program. The Retirement Office approved 104 buy back applications, of which 96 contained a violation of one or both these rules.

(b) The Retirement Office failed to enforce the internal contribution limits in the Ordinances with respect to the buy in program. The Retirement Office approved 369 buy in applications, of which 66 contained a violation of this rule.

(c) The Retirement Office permitted one ineligible individual to purchase service credit through the buy back program.

(d) The Retirement Office permitted ten ineligible employees to purchase service credit through the buy in program.

3. ERS indicated that the operational failures could be corrected as follows:

(a) The County Board could adopt retroactive amendments to:

(i) Eliminate the two year requirement in the buy back Ordinance; and

(ii) Eliminate the internal plan annual addition limit and exclude from the definition of annual addition a repayment of a previously distributed amount.

(b) Because the retroactive amendments will not correct the operation errors with respect to the 11 ineligible individuals who were granted service credit under either the buy back program or the buy in program, ERS would rescind the service credit

granted to the ineligible individuals and refund the amounts used to purchase the service credit.

(c) If the retroactive amendments are not adopted, ERS could be required to correct all of the operational errors by rescinding service credit and refunding the amounts used to purchase the service credit.